

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 1999

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 1999 and 1998

	<u>9/30/1999</u>	<u>9/30/1998</u>
		<u>Exhibit A</u>
Assets		
Cash held by Treasurer	\$ 19,537,141	\$ 9,336,758
Accrued interest		
Investments	1,051,177	1,131,281
Treasurer	<u>239,028</u>	<u>145,380</u>
Total accrued interest	<u>1,290,205</u>	<u>1,276,661</u>
Receivables		
Escheated estates	488,790	427,757
Fines and penalties	<u>353,625</u>	<u>467,288</u>
Total receivables	<u>842,415</u>	<u>895,045</u>
Investments		
Land contracts	120	120
U.S. Government securities	<u>50,560,175</u>	<u>57,056,756</u>
Total investments	<u>50,560,295</u>	<u>57,056,876</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
Total Assets	<u><u>\$ 72,233,033</u></u>	<u><u>\$ 68,568,317</u></u>
Liabilities		
Due the Distributive School Account	\$ 764,881	\$ 1,970,330
Fund balances	<u>71,468,152</u>	<u>66,597,987</u>
Total Liabilities and Fund Balances	<u><u>\$ 72,233,033</u></u>	<u><u>\$ 68,568,317</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA

PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Quarters Ended September 30, 1999 and 1998

	<u>Quarter Ended 9/30/1999</u>	<u>Quarter Ended 9/30/1998</u>
		Exhibit B
Operating Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 867,676	\$ 781,907
District Courts	174,115	171,239
Other Fines and Penalties	15,000	-
	<hr/>	<hr/>
Total fines	1,056,791	953,146
Investment income	764,881	1,970,330
Land sales	157,000	129,682
Miscellaneous	18,735	902
	<hr/>	<hr/>
Total operating revenues/income	1,997,407	3,054,060
	<hr/>	<hr/>
Operating Transfers		
Transfer from (to) Escheated Estates Fund	29,394	(8,718)
Transfer to Distributive School Account	(764,881)	(1,970,330)
	<hr/>	<hr/>
Net operating transfers	(735,487)	(1,979,048)
	<hr/>	<hr/>
Net income	1,261,920	1,075,012
Fund balances, beginning of period	70,206,232	65,522,975
	<hr/>	<hr/>
Fund balances, September 30	<u>\$ 71,468,152</u>	<u>\$ 66,597,987</u>

The notes to the financial statements and schedules are an integral part of this statement.

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STATEMENTS OF CASH FLOWS

For the Quarters Ended September 30, 1999 and 1998

Exhibit C

	Quarter Ended 9/30/1999	Quarter Ended 9/30/1998
Cash flows from operating activities:		
Justice Court fines	\$ 834,957	\$ 673,092
District Court fines	178,579	169,537
Other fines and penalties	15,000	-
Public land sales	157,000	129,682
Miscellaneous income	19,485	902
Net cash provided by operating activities	1,205,021	973,213
Cash flows from noncapital financing activities:		
Operating transfer in	32,932	16,323
Operating transfer out	(346,100)	(1,125,072)
Net cash used for noncapital financing activities	(313,168)	(1,108,749)
Cash flows from investing activities:		
Purchases of investments	-	-
Sales of investments	5,000,000	-
Treasurer's interest distribution	220,509	126,775
Investment interest	313,500	418,875
Net cash provided by (used for) investing activities	5,534,009	545,650
Net increase (decrease) in cash	6,425,862	410,114
Cash at beginning of period	13,111,279	8,926,644
Cash at end of period	\$ 19,537,141	\$ 9,336,758
Reconciliation of net operating income to cash provided by operating activities:		
Total operating income	\$ 1,997,407	\$ 3,054,060
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	(27,506)	(110,517)
Investment income reported as operating income	(764,880)	(1,970,330)
Net cash provided by operating activities	\$ 1,205,021	\$ 973,213

The notes to the financial statements and schedules are an integral part of this statement.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO FINANCIAL STATEMENTS**

Basis of Accounting:

Transactions are recorded on the accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended September 30, 1999, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$18,509,499. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended September 30, 1999, funds held by the State Treasurer earned interest at an effective rate of 5.16 percent.

Investments:

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, which the Permanent School Fund implemented during the fiscal year ending June 30, 1998. In accordance with GASB Statement No. 31, all investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund was created as a nonexpendable trust fund. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund which apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. White Pine County School District and Douglas County School District entered into guarantee agreements for general obligation bond principal amounts totaling \$7,510,000 and \$8,710,000, respectively during the fiscal year ended June 30, 1998. During the third quarter of 1999, Nye County School District entered into a guarantee agreement for general obligation bond principal amounts totaling \$17,750,000. There have been no additional guarantee agreements through the date of this report.

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

STATE OF NEVADA
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SCHEDULE OF INVESTMENTS
September 30, 1999

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities					
U.S. Treasury Note	5.500	4/15/00	\$ 2,000,000	\$ 1,998,750	\$ 2,002,820
U.S. Treasury Note	5.500	4/15/00	5,000,000	4,999,609	5,007,050
U.S. Treasury Note	7.500	11/15/01	5,000,000	5,001,750	5,179,700
Fed. Nat'l. Mortgage Assoc.	6.500	12/22/04	13,000,000	12,997,969	12,754,170
Fed. Nat'l. Mortgage Assoc.	6.850	9/12/05	4,500,000	4,324,230	4,440,915
Fed. Home Loan Bank Note	7.250	11/1/06	5,000,000	5,018,750	4,942,950
Fed. Home Loan Bank Note	6.875	11/22/06	6,500,000	6,500,000	6,407,570
Fed. Home Loan Bank Note	6.300	6/1/04	10,000,000	10,009,100	9,825,000
Total Fixed Income Securities			<u>\$51,000,000</u>	<u>50,850,158</u>	<u>50,560,175</u>
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$50,850,278</u>	<u>\$50,560,295</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarters Ended September 30, 1999 and 1998

Schedule 2

County	Quarter Ended 9/30/1999	Quarter Ended 9/30/1998
Carson City	\$ 6,153	\$ 4,302
Churchill	13,574	17,805
Clark	429,643	449,991
Douglas	6,457	9,516
Elko	29,533	35,643
Esmeralda	9,077	528
Eureka	9,966	11,084
Humboldt	-	-
Lander	4,602	1,846
Lincoln	2,513	1,940
Lyon	30,857	29,197
Mineral	-	-
Nye	53,964	43,554
Pershing	2,209	1,008
Storey	-	-
Washoe	268,993	174,438
White Pine	135	1,055
Total	<u>\$ 867,676</u>	<u>\$ 781,907</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarters Ended September 30, 1999 and 1998

Schedule 3

County	Quarter Ended 9/30/1999	Quarter Ended 9/30/1998
Carson City	\$ 2,115	\$ 4,408
Churchill	4,933	4,055
Clark	100,213	68,777
Douglas	7,893	5,221
Elko	20,377	15,006
Esmeralda	50	-
Eureka	-	-
Humboldt	2,725	3,890
Lander	1,359	5,085
Lincoln	2,930	5,064
Lyon	1,631	6,894
Mineral	1,372	761
Nye	585	4,185
Pershing	1,428	-
Storey	25	-
Washoe	24,408	44,637
White Pine	2,071	3,256
Total	<u>\$ 174,115</u>	<u>\$ 171,239</u>

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended September 30, 1999

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
U.S. Treasury Note	6.375	5,000,000	\$ 13,281
U.S. Treasury Note	5.500	2,000,000	27,500
U.S. Treasury Note	5.500	5,000,000	68,750
U.S. Treasury Note	7.500	5,000,000	93,750
Fed. Nat'l. Mortgage Assoc.	6.500	13,000,000	211,250
Fed. Nat'l. Mortgage Assoc.	6.850	4,500,000	77,063
Fed. Home Loan Bank Note	7.250	5,000,000	90,625
Fed. Home Loan Bank Note	6.875	6,500,000	111,719
Fed. Home Loan Bank Note	6.300	10,000,000	157,500

Total interest on investments 851,438

First quarter Treasurer's distribution 239,028

Total interest 1,090,466

Change in fair value of investments:

First quarter change in fair value of investments (325,585)

Total investment income earned for the quarter ended September 30, 1999 \$ 764,881